RESPONSE TO NCUA ANPR- CORPORATE CREDIT UNIONS
March 16, 2009

1. The Role of Corporates in the Credit Union System

Payment system - Sunmark does not believe that it is necessary to separate payment systems from other corporate core business lines in order to separate risk. Corporates have shown historically that they are very capable of managing the risk associated with payments. Also, it is doubtful that there is sufficient earnings potential in offering payment systems to support a limited business model for individual corporates. While we feel that corporates need to be able to offer payment products to member credit unions, these products do not need to be operated or processed by the corporates. It may be significantly more efficient for corporates to either utilize a large efficient third party for this purpose or to consolidate industry payment systems into one member owned operation that would have strong economies of scale and removal of redundancies.

We do feel that it is appropriate for the NCUA to require capital allocations for payment systems risks as well as for risks of all other business lines.

Liquidity and liquidity management - Sunmark feels strongly that the liquidity function must continue as a core service of corporate credit unions as it was intended when corporates were created. This liquidity function must remain within the credit union system or we would be at the mercy of the banks who actively seek to limit our ability to do business. There are a number of controls that the NCUA can and should put into place to ensure that corporate liquidity is not threatened or compromised including cash flow measurement and reporting, liquidity plans and appropriate modeling, set-aside for daily settlement and enhanced liquidity contingency plans. We also feel that the Agency should work to have the legislative barriers to fully utilizing the CLF removed so that the facility can be a more valuable tool in this regard.

Field of Membership issues - Sunmark feels strongly that in light of the current crisis, corporate fields of membership need to return to more narrowly defined geographic FOM's. Corporate competition on a national scale has not worked and may have contributed to increased risk on corporate balance sheets. Finding ways to assist corporate cooperation going forward is paramount to success of the system. Whatever number of corporates that remain, they must not compete, but must work together to achieve maximum efficiency. There are plenty of options for natural person credit unions outside the industry if they so choose to go there.

Expanded Investment Authority - While Sunmark understands that having expanded investment authorities provides corporates with the tools to effectively manage their balance sheet, in light of the current crisis, we feel that it would be prudent to eliminate or greatly reduce all expanded authorities. Due to the high cost of the stabilization plan, natural person credit unions want assurances that this situation cannot happen again. With reduced competition, a reduction in term book products, and a more narrow product focus on payments and liquidity, we doubt that expanded authorities are necessary.

Structure; two-tiered system - Sunmark feels strongly that there is no longer a need for a wholesale corporate credit union, specifically US Central. Many functions are duplicated with the current system and it is not efficient. Capital accumulation across both tiers is no longer feasible under the circumstances. We also feel that consolidating corporate functions among the remaining corporates (in the single tier) is essential. This can be applied to payments, technology and innovations, and even call centers, business lending, brokerage and other services. We also believe that 27 corporates is too many. We see the merits of having either one major corporate nationally or 4 to 6 regional corporates in order to maximize efficiency.

2. Corporate Capital

Core capital - Sunmark believes that core capital should be the GAAP Tier 1 capital or RUDE and perpetual PIC. A long term goal of 6% is appropriate but may take 5 years or more to achieve. A short term goal of 4% could be reasonable by the end of 2010 or 2011. Using the 12-month DANA appears to be the best method of evening out the asset fluctuations that occur during a typical year. We do believe that in order to make the system secure, perpetual paid in capital may need to be required of member credit unions in order to receive the services of their corporate.

Membership capital - It may be appropriate to allow corporates to continue touse MCSD's during the time it is building capital to the 6% level so that it can continue to provide and fund appropriate products and services. We do feel that member withdrawal of membership capital should be "orderly" so that the corporate is not put at risk after the three year waiting period is met.

Risk-based capital and contributed capital requirements - Sunmark does believe that the NCUA should consider a risk based capital system for corporates commensurate with those of other financial institutions.

3. Permissible Investments

Sunmark feels that corporate credit unions need to have investment authorities beyond what a natural person credit union has in order to earn a spread and provide a return to the member credit unions. Corporates do need a wider range of investment alternatives which will also require more extensive investment and risk management expertise and infrastructure. Corporates should be solely focused on short-term investment products however, in whatever investment authorities they are allowed. We feel that the esoteric investments like NIM's and CDO's should be prohibited.

4. Credit Risk Management

Sunmark feels that the NCUA should require more than one rating for an investment as well as additional stress modeling tools in order to enhance credit risk management. In requiring multiple agency ratings to be acquired for an investment, the lowest rating should carry the most weight. It is clear that in the current environment, the rating systems failed and provided a false sense of confidence. The financial services industry must significantly improve the rating system and assure maximum independence by those providing the ratings. The NCUA should establish rules to limit the duration and cash flows of permissible investment securities as well. Another issue contributing to the current problem is excessive concentration. Proper limits and controls in this area are imperative for corporates' investment portfolios.

5. Asset Liability Management

Sunmark believes that the NCUA should reinstate requirements for modeling and stress testing net interest income and NEV.

6. Corporate Governance

Sunmark believes that the NCUA should require director qualifications (and training requirements) be based on the sophistication of the particular corporate. We feel that term limits are appropriate as long as they are not too restrictive thereby fostering inexperienced and unsophisticated boards of directors. We do not believe that corporate directors should be compensated. This goes against the core credit union philosophy. We do not see the need for outside directors which would be difficult to accomplish without compensation. If the NCUA decides to compensate directors and allow outside directors, they should be a minority compared to the membership/owners. As with our own credit union, we feel that peer reviews and ongoing educational requirements are appropriate for directors.

Lastly, we feel that the transparency of corporate management compensation should be the same as is required for natural person credit unions, no more and no less. We also feel that greater transparency from the corporate to its membership be an essential piece going forward including publishing monthly financials and a summary of their risk positions.

Sincerely,

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